

Message Text

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PAGE 01 NEW DE 11343 261811Z

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ACTION NEA-16

INFO OCT-01 ISO-00 AGR-20 EB-11 SWF-02 COME-00 TRSE-00

SS-20 NSC-07 CIAE-00 INR-11 NSAE-00 RSC-01 PA-04

PRS-01 USIA-15 STR-08 CIEP-03 CEA-02 AID-20 OMB-01

IO-14 EUR-25 DRC-01 IGA-02 SP-03 /188 W

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R 261642Z AUG 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3496

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIA FOODGRAIN SITUATION

REF: NEW DELHI 10894

SUMMARY: THERE WAS NO SUBSTANTIAL CHANGE IN MONSOON ACTIVITY FOR THE WEEK ENDING AUGUST 21, AS COMPARED TO THE PREVIOUS WEEK. TO DATE, THE MONSOON'S PERFORMANCE CONTINUES TO BE SUBSTANTIALLY BELOW THE VERY GOOD MONSOON OF LAST YEAR. WHEAT PROCUREMENT FOR THE SEASON IS LIKELY TO TOTAL 1.8-1.9 MILLION TONS. FOODGRAIN PRICES CONTINUE THEIR UPWARD TREND. THE GOVERNMENT HAS ANNOUNCED A PRODUCTION TARGET OF 30 MILLION TONS FOR NEXT SPRING'S WHEAT CROP. END SUMMARY.

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PAGE 02 NEW DE 11343 261811Z

1. THERE WAS NO SUBSTANTIAL CHANGE IN MONSOON ACTIVITY FOR THE

WEEK ENDING AUGUST 21, AS COMPARED TO THE WEEK ENDING AUGUST 14. THE NUMBER OF WEATHER ZONES RECEIVING NORMAL OR ABOVE-NORMAL RAINFALL DECLINED TO 11 FROM 12 IN THE PREVIOUS WEEK OUT OF A TOTAL OF 35.

2. DURING THE PAST WEEK, NORTHERN INDIA, EXCEPT FOR EASTERN RAJASTHAN, CONTINUED TO RECEIVE MOSTLY SCANTY RAINFALL. THERE WAS GENERALLY AN INCREASE IN MONSOON ACTIVITY IN EASTERN INDIA WITH BIHAR, WEST BENGAL, ORISSA, AND SOME AREAS ADJOINING ASSAM RECEIVING NORMAL OR ABOVE-NORMAL RAINFALL. MADHYA PRADESH IN CENTRAL INDIA RECEIVED GENERALLY HEAVY RAINS WHILE RAINFALL IN MAHARASHTRA DIMINISHED. GUJARAT CONTINUED TO RECEIVE GENERALLY SCANTY RAINFALL. PRECIPITATION IN SOUTHERN INDIA WAS SIGNIFICANTLY BELOW NORMAL, EXCEPT FOR KERALA AND COASTAL KARNATAKA, WHICH RECEIVED NORMAL OR ABOVE-NORMAL RAINFALL.

3. EVEN THOUGH THERE WAS SOME DECREASE IN MONSOON ACTIVITY FOR THE WEEK ENDING AUGUST 14, THE CUMULATIVE POSITION FOR THE SEASON SHOWED DRAMATIC IMPROVEMENT, ESPECIALLY IN THE NORTHERN AREA. THE CUMULATIVE RAINFALL POSITION THROUGH THE WEEK ENDING AUGUST 7 INDICATED THAT AREAS ACCOUNTING FOR ABOUT 43 PERCENT OF INDIA'S SHARIF CEREAL GRAIN PRODUCTION HAD RECEIVED NORMAL OR ABOVE-NORMAL RAINFALL. THIS PERCENTAGE INCREASED TO 64 PERCENT FOR THE WEEK ENDING AUGUST 14 AND CONTINUED AT ABOUT THIS LEVEL FOR THE WEEK ENDING AUGUST 21. INQUIRIES MADE TO DATE FROM THE INDIAN WEATHER BUREAU HAVE NOT PRODUCED A SATISFACTORY EXPLANATION FOR THESE CHANGES.

4. WHEAT PROCUREMENT AS OF AUGUST 20 TOTALED 1.78 MILLION TONS AS COMPARED TO 4.37 MILLION TONS DURING THE SAME TIME PERIOD LAST YEAR. WE CURRENTLY ESTIMATE THAT TOTAL WHEAT PROCUREMENT FOR THE SEASON (APRIL/MARCH) WILL FALL IN THE RANGE OF 1.8 TO 1.9 MILLION TONS. THIS COMPARES WITH APPROXIMATELY 4.5, 5.0, AND 5.1 MILLION TONS PROCURED DURING 1973-74, 1972-73, AND 1971-72 SEASONS, RESPECTIVELY.

5. THE WHEAT SURPLUS STATES APPEAR TO BE BACKING AWAY FROM THE CURRENT WHEAT TRADE POLICY. RAJASTHAN HAS ELIMINATED THE 50 PERCENT GOVERNMENT LEVY ON WHEAT PURCHASES BY WHOLESALERS IN HOPES OF INCREASING ARRIVALS IN THE LOCAL MARKETS. PUNJAB AND HARYANA LIMITED OFFICIAL USE

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PAGE 03 NEW DE 11343 261811Z

ARE NO LONGER ALLOWING PRIVATE WHOLESALERS TO EXPORT WHEAT TO OTHER STATES AFTER THE PAYMENT OF THE 50 PERCENT LEVY. THE THREE OTHER WHEAT SURPLUS STATES (UTTAR PRADESH, MADYA PRADESH, AND RAJASTHAN) HAVE NOT PERMITTED THE WHOLESALE TRADE TO EXPORT WHEAT TO OTHER STATES THIS SEASON, EVEN THOUGH THIS WAS ONE OF THE MAIN PLANKS OF THE NEW WHEAT TRADE POLICY.

6. FOODGRAIN PRICES CONTINUE THEIR UPWARD TREND. THE ALL-INDIA

OFFICIAL WHOLESALE FOODGRAIN PRICE INDEX FOR THE MONTH OF JULY 1974 AVERAGED 391.6, UP 4.2 PERCENT, AND 35.6 PERCENT, RESPECTIVELY, COMPARED TO THE MONTHLY AVERAGES IN JUNE 1974 AND JULY LAST YEAR. THE ALL COMMODITIES PRICE INDEX, DURING JULY 1974, AVERAGED 315.0, UP 2.9 PERCENT COMPARED TO THE PREVIOUS MONTH AND 26.8 PERCENT HIGHER THAN IN JULY 1973.

7. CONGEN BOMBAY REPORTS THAT THE FOOD SITUATION IN BOMBAY HAS GROWN PROGRESSIVELY WORSE, WITH BASIC DAILY CONSUMER GOODS SLOWLY DISAPPEARING. WHEAT, THE STAPLE FOODGRAIN OF BOMBAY'S MASSES, HAS NEARLY DISAPPEARED FROM THE OPEN MARKET AS TRADERS FIND IT UNPROFITABLE TO CONDUCT BUSINESS AT THE OFFICIALLY PRESCRIBED PRICE CEILINGS. LIMITED QUANTITIES OF WHEAT CAN BE HAD IN THE BLACK MARKET AT PRICES RANGING FROM RS. 2.50 TO RS. 3.50 PER KILOGRAM (APPROXIMATELY 15-21 CENTS PER POUND) AGAINST THE FAIR PRICE SHOP RATE OF RS. 1.40 PER KILOGRAM (APPROXIMATELY 8 CENTS PER POUND) FOR RATIONAL WHEAT.

8. PRELIMINARY DATA INDICATE INDIA'S FOODGRAIN IMPORTS DURING 1973-74 (JULY/JUNE) TOTALLED 4,692,000 METRIC TONS INCLUDING 1,441,000 TONS OF WHEAT AND 687,000 TONS OF GRAIN SORGHUM FROM THE U.S., 159,000 TONS OF WHEAT FROM CANADA, 151,000 TONS OF WHEAT FROM AUSTRALIA, 362,000 TONS OF GRAIN SORGHUM FROM ARGENTINA, AND 1,892,000 TONS OF WHEAT UNDER THE RUSSIAN LOAN AGREEMENT. IMPORTS DURING JULY 1974 TOTALLED 171,000 TONS INCLUDING 78,000 TONS OF WHEAT UNDER THE RUSSIAN LOAN AGREEMENT, 76,000 TONS OF RECENTLY PURCHASED U.S. WHEAT, AND 17,000 TONS OF RECENTLY PURCHASED ARGENTINA GRAIN SORGHUM.

9. THE GOVERNMENT HAS ANNOUNCED A PRODUCTION TARGET OF 30 MILLION TONS FOR NEXT SPRING'S WHEAT CROP. FULL DETAILS ON HOW THIS TARGET WILL BE REACHED HAVE NOT BEEN GIVEN. WE FEEL THAT ACTUAL WHEAT PRODUCTION NEXT SPRING (FROM THE CROP TO BE PLANTED THIS LIMITED OFFICIAL USE

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PAGE 04 NEW DE 11343 261811Z

FALL) WILL LIKELY BE SUBSTANTIALLY LESS THAN THE TARGET. THE PREVIOUS RECORD WHEAT CROP WAS 26.4 MILLION TONS HARVESTED IN 1972, FOLLOWED BY 24.9 MILLION IN 1973, AND OUR CURRENT ESTIMATE OF 22.5 MILLION FOR THIS YEAR. THE PRODUCTION TARGET FOR THE WHEAT CROP HARVESTED THIS SPRING WAS ALSO 30 MILLION TONS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOOD SHORTAGE, ECONOMIC CONDITIONS, AGRICULTURAL PRODUCTION, STORMS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 AUG 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: martinml
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE11343
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740235-0968
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740818/aaaaaozy.tel
Line Count: 161
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: NEW DELHI 10894
Review Action: RELEASED, APPROVED
Review Authority: martinml
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by boyleja>; APPROVED <05 MAR 2003 by martinml>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIA FOODGRAIN SITUATION
TAGS: EAGR, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005